

Wilson and the Blue Dogs Join President Obama to Advance Statutory PAYGO

Washington, DC – Today, leaders of the fiscally conservative Democratic Blue Dog Coalition joined President Obama at the White House and stood with him in strong support as he urged members of both the House and Senate to pass legislation requiring that any new mandatory government spending be matched with budget cuts or savings elsewhere. The President announced his support for legislation that would reinstitute statutory pay-as-you-go (PAYGO) rules, a move long advocated by the Blue Dogs as a way to restore much-needed fiscal discipline to the federal government.

“I’m proud to stand with the President to support this common sense legislation,” Representative Charlie Wilson (D-OH) said. “This is basic math: Congress will only be able to spend a dollar if we save a dollar somewhere else.” Wilson joined the Blue Dogs in 2007, when he was sworn into his first term.

“If we are going to get our nation’s fiscal house in order, we have to start paying our bills,” said Representative Charlie Melancon (D-LA), Blue Dog Co-Chair for Communications. “If we do not take action now, we will continue to short-change future generations who will face higher taxes and cuts to federal investments in priorities such as education, health care and national security. With the President’s support, the Blue Dogs look forward to working with members in both the House and Senate to enact PAYGO into law.”

HOW THE PRESIDENT’S PLAN WORKS

The President’s plan makes clear that, to spend a dollar, Congress must offset the cost. The Office of Management and Budget would maintain a PAYGO ledger that records the average ten-year budgetary effects of all legislation enacted through 2013 that affects mandatory spending or tax legislation relative to the baseline.

There would be exceptions in four areas where current policy differs substantially from current law: (1) Medicare payments to physicians; (2) the estate and gift tax; (3) the AMT; and (4) tax cuts enacted in 2001 and 2003. In those cases, legislation would be entered on the ledger only to the extent that Congress enacted costs that exceed a projection of 2009 policies actually in effect (or for the 2001/2003 tax cuts, policies scheduled for 2010). These exceptions are similar to the treatment of expiring mandatory programs under current PAYGO rules, which do not record costs for simply extending those programs.

If there is a PAYGO cost at the end of a particular year because Congress has not succeeded in paying for all the new costs that it has enacted, the President would be required to issue an order sequestering budgetary resources from certain mandatory programs. The bill exempts other mandatory programs from sequestration, primarily those that were exempted in the first PAYGO statute or similar programs enacted since then.

In 2007, both houses of Congress took important steps toward restoring fiscal discipline by using Congressional rules to restore enforcement of the PAYGO principle. This PAYGO statute is meant to serve as a supplement to these rules, providing an enforcement mechanism, sequestration, that is unavailable without statutory PAYGO.

“The President’s continued emphasis on PAYGO is applauded and appreciated by the Blue Dogs,” said Representative Baron Hill (D-IN), Blue Dog Co-Chair for Policy. “With his support, I truly believe statutory PAYGO will come to fruition.”

Today’s announcement marks the first time the Obama Administration has officially transmitted legislation to Congress, a sign of the President’s continued commitment to restoring fiscal responsibility and accountability to government over the long-term.

The fiscally conservative Democratic Blue Dog Coalition was formed in 1995 with the goal of representing the center of the House of Representatives and appealing to the mainstream values of the American public. The Blue Dogs are dedicated to a core set of beliefs that transcend partisan politics, including a deep commitment to the financial stability and national security of the United States. Currently there are 51 members of the Blue Dog Coalition.